

Message Text

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PAGE 01 TEGUCI 01928 252151 Z

62

ACTION ARA-17

INFO OCT-01 ADP-00 AID-20 EB-11 NSC-10 RSC-01 CIEP-02

TRSE-00 SS-15 STR-08 OMB-01 CEA-02 L-03 CIAE-00

DODE-00 INR-10 NSAE-00 PA-03 USIA-12 PRS-01 COME-00

FRB-02 XMB-07 OPIC-12 LAB-06 SIL-01 INT-08 SCEM-02

RSR-01 /156 W

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P R 252120 Z MAY 73

FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC PRIORITY 4433

INFO AMEMBASSY CARACAS

AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY MEXICO

AMEMBASSY PANAMA

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

C O N F I D E N T I A L TEGUCIGALPA 1928

GUATEMALA ALSO FOR ROCAP

E. O. 11652: GDS

TAGS: BDIS ENRG HO XK

SUBJ: TEXACO DISCUSSIONS WITH GOH ON PETROLEUM PRICES

REF: TEGUCIGALPA 1918

1. HONDURAS TEXACO MANAGER MCDONALD INFORMS US THAT HE AND JOHNSTON SPENT ONE- AND- HALF HOURS WITH ECONMIN BENNATON ON MAY 24. TEXACO REPS (" DIPLOMATICALLY AND AVOIDING ANY THREATENING POSTURE") REPORTEDLY DISCUSSED WORLD PETROLEUM ECONOMY IN SOME DEPTH AND INFORMED BENNATON THAT IT WAS UNTENABLE FOR COMPANY TO ABSORB \$2 MILLION YEARLY LOSS CAUSED BY PRICE FREEZE.

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PAGE 02 TEGUCI 01928 252151 Z

2. TEXACO EXPLAINED THAT REFINERY WAS ORIGINALLY INSTALLED TO CREATE OUTLETS FOR ITS OWN CRUDE OIL, BUT THAT EASY ACQUISITION OF CRUDE HAD NOW BEEN REPLACED BY SHORTAGES, HIGH PRICES AND EVEN UNCERTAINTY OF SUPPLIES. TEXACO REPS ALLEGEDLY " FIRMLY" MADE POINTS THAT: (A) THEY NEEDED RAPID SOLUTION TO PROBLEM OR (B) SUPPLY OF CRUDE FOR HONDURAS COULD NOT BE GUARANTEED. THEY STATED THEY WOULD " CATEGORICALLY RENOUNCE RIGHT TO IMPORT CRUDE IF GOH OR ANYONE ELSE CAN IMPORT IT."

3. BENNATON SAID HE WOULD STUDY PROBLEM. HE SAID THAT GOH HAD NEVER CONSIDERED GOING INTO MARKET ITSELF AND PURCHASING CRUDE, AS THIS WAS " NOT NORMAL ACTIVITY FOR GOVERNMENTS."

4. COMMENT: TEXACO HAS THUS TAKEN HARD, ALMOST ULTIMATIVE LINE WITH GOH. OPTIONS TO GOH TO EASE PROBLEM FOR TEXACO, SHORT OF PERMITTING PRICE INCREASE, ARE EITHER TO REDUCE ITS TAX SHARE OF MARKET PRICE OR AGAIN TO LET TEXACO REFINERY INCREASE ITS PRICES AT EXPENSE OF SQUEEZING DISTRIBUTORS (WHICH IN EFFECT HAS BEEN STANDARD PROCEDURE UNTIL RECENT FREEZE ON REFINERY PRICES).

5. ALTERNATIVELY, GOH COULD PERMIT PRICE INCREASE. ALTHOUGH GOH HAS MADE THIS SOLUTION DIFFICULT BY CREATING STRONG NATIONAL EXPECTATION THAT NO PRICE INCREASE WILL OCCUR, IT HAS LEFT THE POSSIBILITY OPEN. FOR INSTANCE, RESOLUTION NO. 142, FREEZING WHOLESALE REFINERY PRICES (TEGUCIGALPA 1868), CONTAINS PROVISO THAT PRICES CAN BE INCREASED IF GOH IS CONVINCED THIS IS NECESSITATED BY WORLD MARKET CONDITIONS.

6. TEXACO IS INTERESTED IN QUICK RESULTS. JOHNSTON RIDICULED ARANA'S PROPOSAL FOR GOH " COMMISSION" AS NOTHING BUT DEVICE TO POSTPONE SOLUTION. HE SAID TEXACO WOULD NOT ACCEPT PROCRASTINATION IN MATTER.
RYAN

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